

**SUFFOLK COUNTY
OFFICE OF THE COMPTROLLER
AUDIT DIVISION**

**John M. Kennedy, Jr.
Comptroller**

**An Audit of the
Suffolk County Sheriff's Department
Inmate Commissary Accounts
For the Period January 1, 2010 through December 31, 2010**

**Report No. 2015-13
Date Issued: December 31, 2015**

**SUFFOLK COUNTY
OFFICE OF THE COMPTROLLER**

John M. Kennedy, Jr.
Comptroller

Louis A. Necroto, CPA
Chief Deputy Comptroller

Frank Bayer, CPA
Executive Director of Auditing Services

Audit Staff:

Manuel Alban, Jr., CPA, Senior Investigative Auditor
Joseph S. Pecorella, CPA, Chief Auditor
Ed Mitchell, CPA, Auditor
Ken Testa, Auditor

TABLE OF CONTENTS

	<u>Page</u>
LETTER OF TRANSMITTAL	1
SUMMARY OF AUDIT FINDINGS.....	2
GENERAL INFORMATION	4
SCOPE AND METHODOLOGY	6
FINDINGS AND RECOMMENDATIONS	
Compliance with Laws, Regulations and Procedures.....	8
Internal Controls	9
Questioned Costs	14
SCHEDULES	
Schedule 1 Schedule of Commissary Fund Expenses For the Period January 1, 2010 through October 31, 2010.....	16
Schedule 2 Schedule of Profit Account Expenses For the Period January 1, 2010 through October 31, 2010.....	17
APPENDICES	
Appendix A Response from Suffolk County Sheriff's Department.....	20
Appendix B Exit Conference Report.....	25

LETTER OF TRANSMITTAL

December 2, 2015

Hon. John M. Kennedy, Jr.
Suffolk County Comptroller
Suffolk County Department of Audit and Control
H. Lee Dennison Executive Office Building
100 Veterans Memorial Highway
P.O. Box 6100
Hauppauge, NY 11788-0099

Dear Comptroller Kennedy:

In accordance with the authority vested in the County Comptroller by the Suffolk County Charter (Article V), an audit was conducted of the Suffolk County Sheriff Department's (Department) Inmate Commissary Accounts located at 100 Center Drive, Riverhead, NY 11901.

The audit objectives were as follows:

- To evaluate the Department's internal controls relating to the operation the Inmate Commissary Accounts.
- To determine if the Department complied with applicable laws and regulations while operating the Inmate Commissary.

An audit includes examining on a test basis, evidence supporting the transactions recorded in accounting and operating records and applying such other auditing procedures as we consider necessary in the circumstances. Our audit consisted primarily of reviewing the Department's policies and procedures, interviewing personnel and examining records to evaluate internal controls over the processing of Inmate Commissary funds and to provide a reasonable assurance that there are adequate safeguards in place to protect associated assets. We believe our audit provides a reasonable basis for the findings and recommendations contained herein.

Respectfully,

Frank Bayer, CPA
Executive Director of
Auditing Services

SUMMARY OF AUDIT FINDINGS

Compliance – Our review of laws, regulations, and SOPs applicable to the operation of the Inmate Commissary Accounts revealed the following instances of noncompliance:

- It is the opinion of the Department that the procedures for purchases greater than \$10,000 as required by General Municipal Law 103, do not apply to the Profit Account (p. 8).
- Prisoner Fund receipts were not always deposited within 24 hours of receipt as required by SOP D-O8 (p. 8).
- The commissary operation was not self-supporting as required by New York Codes, Rules and Regulations, Vol. 9, Section 7016.1 Commissary during the audit period (p. 9).

Internal Controls – Our review of internal controls relating to the operation of the Department's Inmate Commissary Accounts disclosed the following reportable conditions:

- There is inadequate segregation of duties with regard to inventory stock (p. 9).
- The Department did not maintain a perpetual inventory system during the audit period (p. 10).
- Inadequate physical safeguards exist over stamp inventory located in the commissary creating a situation in which stamps are susceptible to misappropriation (p. 11).
- There are duties that are currently being performed by Correction Officers that could be performed more effectively and efficiently by personnel with background knowledge in accounting (p. 11).
- The Department does not maintain an accounting policies and procedures manual that documents the process of authorization necessary to record Commissary Operation transactions (p. 12).
- The Department does not maintain a fixed asset log of all equipment and furnishings purchased with Commissary and Profit Account funds (p. 12).
- The Department did not maintain adequate financial records to support various transactions (p. 13).

Questioned Costs – Our audit testing of Commissary Fund disbursements disclosed the following:

- The Department does not always obtain comparable quotes or bids for purchases made for the commissary store resulting in some items being purchased at inflated prices (p. 14).

GENERAL INFORMATION

The Department operates a commissary for inmates located in Suffolk County correctional facilities pursuant to New York State Correction Law, Article 2, Section 26 (Establishment of commissaries or canteens in correctional institutions), and New York Codes, Rules and Regulations (NYCRR) Part 7016 (Commissary). NYCRR Part 7016 states the following:

- “The commissary may be established at the discretion of the sheriff for the purpose of making available, for sale to prisoners, items deemed proper and consistent with the health and welfare of the prisoners and the security and general operation of the facility.
- The sheriff shall fix the prices of the items offered for sale to the extent that the commissary operation will be self-supporting and will provide a modest return above cost.
- The profits resulting from the commissary operation shall be utilized only for purposes of general prisoner welfare and rehabilitation.
- Commissary accounts shall be maintained in a manner which will fully substantiate all purchases, sales, and expenditures, and definite arrangements shall be made for periodic audit of the commissary accounts.”

The Commissary Operation is located in the Riverhead correctional facility and provides inmates with the opportunity to purchase various items such as snacks, toiletries, and garments. The Department runs the commissary with all transactions being accounted for in three funds (accounts) - the Commissary Fund, the Profit Account, and the Prisoner Fund. The Commissary Fund accounts for receipts and disbursements related to the commissary store; the Profit Account accounts for all transfers of profit from the Commissary Operation and any purchases made with those profits; and the Prisoner Fund accounts for all receipts and disbursements made from the various inmates' accounts.

Commissary Fund expenses for the period January 1, 2010 through October 31, 2010 were \$683,335 (Schedule 1) and Profit Account expenses for the same period were \$211,283 (Schedule 2).

SCOPE AND METHODOLOGY

To accomplish the audit objectives as stated in the Letter of Transmittal (p. 1), the following procedures were performed:

- Secured and reviewed applicable laws, regulations and County SOPs pertinent to the commissary operations.
- Interviewed various Departmental personnel involved in the commissary operations to determine compliance with applicable laws and regulations.
- Obtained transaction detail from the Department's QuickBook's accounting program for the period January 1, 2010 through October 31, 2010, and prepared schedules of Commissary Fund receipts and expenses, Profit Account expenses, and Prisoner Fund receipts and disbursements.
- Reconciled receipts and disbursements from the Commissary Fund, Profit Account and Prisoner Fund schedules to the receipts and disbursements per the respective bank statements.
- Tested 25 of 100 Commissary Fund cross-fund receipt transactions, 25 of 201 Commissary Fund disbursement transactions, 45 of 322 Profit Account disbursements, 35 of 363 Prisoner Fund Receipt transactions, and 45 of 2,330 Prisoner Fund non-cross-fund disbursement transactions for the period January 1, 2010 through October 31, 2010.
- Performed a physical inspection of the commissary inventory and compared the results of the inspection to the book value of the inventory maintained by the Department.
- Sent confirmation letters to applicable banking institutions to confirm year-end bank balances.

We used a risk-based approach when selecting activities to be audited. This approach focused our audit efforts on operations that have been identified through preliminary planning procedures as having the greatest probability for needing improvement. Consequently, by design, finite audit resources are used to identify where and how improvements can be made. Thus, little audit effort is devoted to reviewing operations that may be relatively efficient or effective. As a result, our audit reports are

prepared on an “exception basis.” This report therefore generally highlights those areas needing improvement and does not address activities that may be functioning properly.

FINDINGS AND RECOMMENDATIONS

The findings and recommendations contained herein are based on our audit of the Department's Inmate Commissary Accounts in accordance with the stated audit objectives (p. 1). Findings preceded by an asterisk (*) were also noted in our prior Audit Report No. 2003-02, issued February 18, 2003.

Compliance

*** It is the opinion of the Department that the bid procedures required by General Municipal Law 103 do not apply to the Profit Account.** The law requires that contracts be awarded via advertised sealed bid for purchases costing more than \$10,000. During the audit period, we found two purchases that exceeded \$10,000, made from the Profit Account that were not awarded via advertised sealed bid, as required by the law. The Department has stated that funds maintained by the Profit Account do not fall under the jurisdiction of New York State General Municipal Law 103.

Recommendation 1

Although the Profit Account is not considered facility money, the Department has a fiduciary responsibility to safeguard fund assets. Therefore, the Department should follow the provisions of New York State General Municipal Law 103 and obtain advertised sealed bids when required, so that the best possible price is obtained. Effective June 22, 2010, the monetary threshold for purchases requiring advertised sealed bids was raised to purchases exceeding \$20,000.

*** Prisoner Fund receipts were not always deposited within twenty-four hours of receipt as required by SOP D-O8.** Our audit testing revealed that the Department did not deposit funds within twenty-four hours of receipt for twenty-two (63%) of the thirty-five Prisoner Fund receipts tested. Eighteen of the twenty-two receipts were deposited within two business days and four of the twenty-two were deposited within three business days.

Recommendation 2

In order to comply with SOP D-08, the Department should deposit all proceeds within twenty-four hours of receipt. If the Department cannot comply with this requirement, we recommend that they report their non-compliance on SCIN 216: Annual Statement of Compliance with SOP D-08.

*** The commissary operation was not self-supporting as required by New York Codes, Rules and Regulations, Vol. 9, Section 7016.1 Commissary during the audit period.** The commissary operation is run by both correction officers and civilian employees whose salaries are funded by the County. Since the portion of their salary and fringe benefits related to the commissary are not being charged as an expense, the Commissary Operation was not self-supporting during the audit period.

Recommendation 3

The Department should determine an allocation of salaries and related fringe benefits that are necessary to administer the Commissary Operation. The determined amount should be charged to the operation an administrative expense. In addition, the Department should determine whether prices for commissary items require adjustment to ensure that the operation is self-supporting. It should be noted that \$223,411 in permanent salaries and overtime directly related to the non-mandated operation of the commissary for fiscal year 2009 was transferred from the Sheriff's Commissary Fund Account to the General Fund per Suffolk County Resolution No. 186-2011 in September 2011.

Internal Controls - Our review of internal controls disclosed the following significant deficiencies:

*** There is inadequate segregation of duties with regard to inventory stock.** The same employee who orders commissary goods also receives and has custody of the inventory, maintains the inventory records and authorizes payment of the invoice. These circumstances increase the risk that defalcation could occur without detection. For effective internal control, the job duties involving the purchase of supplies should be

separate from those involving the receipt of such purchases. In addition, there were numerous variances between book inventory quantities and physical inventory quantities, which were both positive and negative in nature. However, the total net variance of book inventory to physical inventory was an immaterial \$232 or 0.48% of total inventory.

Recommendation 4

Adequate segregation of duties with regard to inventory needs to be implemented in order to safeguard assets against misappropriation. Different individuals should be in charge of the authorization and recording of inventory transactions and the physical custody of inventory assets. Additionally, physical inventory counts should be verified by an individual who does not work in the commissary store, and any variance existing at the end of each month between the book value of inventory and the physical count of inventory should be written off to cost of goods sold in the monthly profit reports provided to the Inmate Accounts section by the Commissary Operations. Any significant variances between the physical count and the book amount should be investigated by management.

The Department did not maintain a perpetual inventory system during the audit period. The commissary store maintained a hand written ledger of the stock inventory that documents the beginning and ending balances for each item and the number of items received. The hand written ledger was then used to calculate monthly profit and loss figures and a physical count of inventory on hand was performed on a monthly basis. While the Department is currently in the process of implementing a perpetual inventory system whereby electronic scan forms will be used to automatically deduct items ordered from the inventory population, implementation of such a system is still not complete.

Recommendation 5

The Department should complete implementation of their perpetual inventory system for the commissary store in 2011. This will help to ensure that the inventory of the commissary store is recorded on a real-time basis as the amount of items ordered will be automatically deducted from the inventory population. Physical inventory counts

should still be conducted on a monthly basis and compared to inventory amounts recorded in the online system. Any significant variances between the physical count and the online system should be investigated by management.

Inadequate physical safeguards exist over stamp inventory located in the commissary creating a situation in which stamps are susceptible to misappropriation. It was observed that 7,100 stamps costing \$3,124 were maintained in an unlocked desk drawer in the commissary store. Insufficient controls over the physical storage of assets increases opportunity for theft or defalcation.

Recommendation 6

Stamp inventory should be stored in a locked box or cabinet and access should be limited to one employee who is not involved in performing the reconciliation of commissary inventory at month end. Adequate physical safeguards over assets that are susceptible to misappropriation decreases the risk that a defalcation will occur and not be detected during the normal course of business.

*** There are duties that are currently being performed by Correction Officers that could be performed more effectively and efficiently by personnel with background knowledge in accounting.** As a result of having certain duties performed by non-accounting personnel, financial processes are not all being performed correctly and financial reports are not being produced to provide relevant information. The following conditions were noted:

- The QuickBooks computer program is not being fully utilized to provide financial statements such as balance sheets and income statements. Inventory and sales transactions are not being recorded in QuickBooks and therefore a complete set of financial statements cannot be produced. A Profit and Loss statement for each month is produced by the Asset Management Bureau based on a formula of beginning and ending inventory given to them from the commissary store.
- There are several outstanding items listed on the reconciliation detail report for the Prisoner Fund that should be investigated and

cleared. Some outstanding items date back to 2003 and should not be included on the Department's monthly reconciliations.

- The Prisoner Fund bank account balance is not reconciled to the Prisoner Fund Log.

Recommendation 7

The Department should hire an Accountant to perform the commissary financial functions currently being performed by Correction Officers. Qualified accounting personnel would diminish the opportunity for the occurrence of undetected errors or irregularities and enhance the Department's ability to generate financial statements and perform proper reconciliations.

We also recommend that the Department investigate the feasibility of utilizing QuickBooks to capture commissary-related information such as inventory and sales in order to generate monthly income statements and quarterly or bi-annual balance sheets.

*** The Department does not maintain an accounting policies and procedures manual that documents the process of authorization necessary to record Commissary Pperation transactions.** Written procedures are necessary to provide guidance and maintain the consistency of transactions.

Recommendation 8

The Department should prepare written procedures for authorization requirements within the Commissary Fund, Profit Account, and Prisoner Fund. The procedures should include the manual procedures, computer procedures and authorization requirements for each transaction.

*** The Department does not maintain a fixed asset log of all equipment and furnishings purchased with Commissary and Profit Account funds.** In addition, no procedures are in place for the authorization of equipment disposal and no documentation of disposals is maintained.

Recommendation 9

The Department should create and maintain a fixed asset log of all equipment and furnishings purchased with Commissary and Profit Account funds. The log should detail the acquisition date, useful life and disposal date of the asset. In addition, procedures for the proper authorization for disposal of equipment need to be implemented, and records of disposals need to be prepared and retained to aid in the safeguarding of assets and detection of any misappropriations.

*** The Department did not maintain adequate documentation to support various fund transactions.**

- The Department could not provide vendor invoices for two of the forty-five (4%) Profit Account expenditures tested, and could not provide any supporting documentation for one of the forty-five (2%) Profit Account expenditures tested.
- One of the forty-five (2%) Profit Account expenditures tested was missing a Bureau Chief signature when two signatures were required for the purchase.
- Twenty-one of the forty-five (47%) Profit Account expenditures tested had no signature on any of the supporting documents verifying that the goods or services were actually received.
- The Department could not provide two voided checks pertaining to the Prisoner Fund account.

Recommendation 10

The Department should maintain all financial records and supporting documentation for all transactions related to the Commissary Operations for a period of no less than five years. The Inmate Accounts Unit should maintain all voided checks and be able to provide them upon request. This will facilitate the record keeping and record retention process.

Questioned Costs

The Department does not always obtain comparable quotes or bids for purchases made for the commissary store resulting in some items being purchased at inflated prices. Competition in the procurement process ensures reasonable prices and guards against favoritism, fraud and collusion. We found that the Department paid \$69,464 for items (instant oatmeal, hot chocolate, etc.) purchased from one vendor, for which our audit procedures revealed that the same items could have been purchased from a local retailer for \$35,532, suggesting that the vendor's pricing could have been inflated by \$33,932 or 49%. In addition, the items were not unusual in nature and were readily available for purchase from several other vendors utilized by the Department. Furthermore, a physical inspection of the vendor's address revealed that it was a private residence which raises concerns regarding the vendor's legitimacy, and the vendor was not registered to collect sales tax with the New York State Department of Taxation and Finance.

Recommendation 11

The Department should make every effort to utilize qualified vendors and obtain the best possible price by obtaining comparable quotes and/or bids before making purchases. Also, the Department should maintain sufficient documentation to support the vendor selection and their attempt to obtain the best possible price for commissary purchases.

This report is intended solely for the information and use of the Suffolk County Sheriff's Department and responsible Suffolk County officials and is not intended to be used by anyone other than these specified parties.

SCHEDULES

Note: The accompanying schedules are provided for informational purposes only.

Schedule 1

Suffolk County Sheriff's Department
Inmate Commissary Fund
Schedule of Commissary Fund Expenses
For the Period January 1, 2010 through October 31, 2010

<u>Expense Category</u>	<u>Amount</u>
Supplies	\$ 10,893
Food Items	417,820
Health and Toiletries	198,069
Miscellaneous	17,201
Postage	39,352
	<u>\$ 683,335</u>

See Note to Schedules (p.18).

Schedule 2

Suffolk County Sheriff's Department
Inmate Commissary Fund
Schedule of Profit Account Expenses
For the Period January 1, 2010 through October 31, 2010

<u>Expense Category</u>	<u>Amount</u>
Agricultural Equipment & Services	\$ 13,917
Books & Newspapers	46,492
Commissary Supplies	8,280
Construction Materials	499
Correctional Education Training	5,300
Electrical Supplies	1,513
Equipment and Supplies	1,071
Hygiene Supplies	1,668
Inmate Rehabilitation	14,497
Landscaping Supplies & Equipment	753
Office Computers	2,004
Office Equipment	10,551
Office Supplies	6,670
Postage	440
Recreational Supplies	4,678
Repairs & Maintenance	11,892
Research and Law Books	15,756
Restaurant Supply & Equipment	1,117
Sporting Equipment	16,743
Television & Video	23,618
Vocational Program Supplies & Training	23,824
	<u>\$ 211,283</u>

See Note to Schedules (p.18).

Suffolk County Sheriff's Department
Inmate Commissary Accounts
Note to Schedules

- (1) The Sheriff Department's Commissary Operation is audited pursuant to New York Codes, Rules and Regulations, Vol. 9, Section 7016 (Commissary), which provides for a periodic audit of the commissary accounts by the Office of the County Auditor. We compiled the schedules of Commissary Fund disbursements and Profit Account disbursements using information provided by the Inmate Accounts and Commissary Operation sections of the Sheriff's Department. The schedules were prepared on a cash basis, in which disbursements are recorded when payments are made, and are presented for informational purposes only.

APPENDICES

APPENDIX A

COUNTY OF SUFFOLK



OFFICE OF THE SHERIFF

VINCENT F. DEMARCO
SHERIFF

December 22, 2015

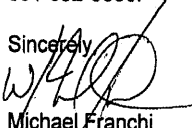
Frank Bayer
Executive Director of Auditing Services
Comptroller's Office
Department of Audit and Control
H. Lee Dennison Building
100 Veterans Memorial Highway
Hauppauge, NY 11788-0099

Dear Mr. Bayer:

Enclosed please find the Sheriff's Office response to the draft copy of the audit of our Inmate Commissary Unit performed by your office for the period of January 1, 2010 through December 31, 2010.

If there is any additional information that you need, please do not hesitate to contact me at 631-852-3080.

Sincerely,


Michael Franchi
Warden
Office of the Warden
Suffolk County Sheriff's Office

cc: Hon. Vincent DeMarco, Sheriff
Hon. John M. Kennedy, Jr., County Comptroller
Undersheriff John Meyerricks,
Undersheriff Joseph Caracappa,
Louis A. Necroto, Chief Deputy Comptroller
Charles Ewald, Warden
John Krieg, Captain Administrative Bureau
Manuel Alban, CPA, Senior Investigative Auditor
Joseph Pecorella, CPA, Chief Auditor

100 CENTER DRIVE
RIVERHEAD, NEW YORK 11901-3389
(631) 852-2200

COUNTY OF SUFFOLK



OFFICE OF THE SHERIFF

VINCENT F. DeMARCO
SHERIFF

December 18, 2015

To: Frank Bayer Executive Director of Auditing Services

From: Suffolk County Sheriff's Office

Subject: Comptroller's Report on the Inmate Commissary Account

This report is meant to review and comment on the results of the draft copy of the audit of the Inmate Commissary Account for the period of January 1, 2010 through December 31, 2010. The numbered comments are meant as a reply to, item for item, the numbered issues listed in the report.

Recommendation 1

Although the Profit Account is not considered facility money, the Department has a fiduciary responsibility to safeguard fund assets. Therefore, the Department should follow the provisions of New York State General Municipal Law 103 and obtain advertised sealed bids, when required, so that the best possible price is obtained. Effective June 22, 2010 the monetary threshold for purchases requiring advertised sealed bids was raised to purchases exceeding \$20,000.

Response 1

The Sheriff's Office has a fiduciary responsibility to spend inmate money wisely. While the standards outlined in NYS Municipal Law 103 might be the ideal, the profit Account does not fall under its scope of jurisdiction. Whenever possible we use approved vendors with current county contracts. All large purchase orders are approved by both the Administrative Bureau and the Accounting Department prior to final purchase. However, in the interest of maintaining best practices we will henceforth require advertised sealed bids for future purchases exceeding \$20,000.

Recommendation 2

In order to comply with SOP D-08, the Department should deposit all proceeds within twenty-four hours of receipt. If the Department cannot comply with this requirement, we recommend that they report their non-compliance on SCIN 216: Annual Statement of Compliance with SOP D-08.

Response 2

The Sheriff's Office uses Rapid Armored car service to help ensure all proceeds are deposited within twenty-four hours of receipt. We will endeavor to stay in compliance but since some deposits are received on both Saturday and Sunday we will still have periodic proceeds that aren't deposited within 24 hours. Any non-compliance will be reported on SCIN 216 in the future.

Recommendation 3

The Department should determine an allocation of salaries and related fringe benefits that are necessary to administer the commissary operation. The determined amount should be charged to the operation as an administrative expense. In addition, the Department should determine whether prices for commissary items require adjustment to ensure that the operation is self-supporting. It should be noted that \$223,411 in permanent salaries and overtime directly related to the non-mandated operation of the commissary for fiscal year 2009 was transferred from the Sheriff's Commissary Fund Account to the General Fund per Suffolk County Resolution No. 186-2011 in September 2011.

Response 3

The Sheriff's Office has determined that since officers primarily assigned to work in the facilities Commissary unit are sworn officers and perform other functions including post relief, incident response, etc. that their salaries cannot be paid for by commissary profits. All officer overtime incurred while working in the Commissary store and civilian salaries and overtime are paid from the Commissary Account. Once a year a Legislative resolution is filed by the Sheriff's Office authorizing the transfer of the applicable prior years' salary and overtime expenses from the commissary account to the County General fund.

Recommendation 4

Adequate segregation of duties with regard to inventory needs to be implemented in order to safeguard assets against misappropriation. Different individuals should be in charge of the authorization and recording of inventory transactions and the physical custody of inventory assets. Additionally, physical inventory counts should be verified by an individual who does not work in the Commissary Store, and any variance existing at the end of each month between the book value of inventory and the physical count of inventory should be written off to cost of goods sold in the monthly profit reports provided to the Inmate Accounts section by the commissary operations. Any significant variances between the physical count and the book amount should be investigated by management.

Response 4

The monthly physical inventory counts are now being performed by a supervisor who does not work in or have any responsibility for the Commissary store. All efforts are made to have different individuals in charge of ordering supplies, recording inventory transactions and accepting deliveries. All payment of invoices is approved by a member of the Administrative Bureau with the rank of Captain or above.

Recommendation 5

The Department should complete implementation of their perpetual inventory system for the commissary store in 2011. This will help to ensure that the inventory of the commissary store is recorded on a real-time basis as the amount of items ordered will be automatically deducted from the inventory population. Physical inventory counts should still be conducted on a monthly basis and

compared to inventory amounts recorded in the online system. Any significant variances between the physical count and the online system should be investigated by management.

Response 5

The Department has implemented a perpetual inventory system where electronic scan forms are used to automatically deduct items ordered from inventory. Physical inventory counts are still conducted monthly and compared to the online system.

Recommendation 6

Stamp inventory should be stored in a locked box or cabinet and access should be limited to one employee who is not involved in performing the reconciliation of commissary inventory at month end. Adequate physical safeguards over assets that are susceptible to misappropriation decrease the risk that a defalcation will occur and not be detected during the normal course of business.

Response 6

Stamps are stored in a locked box and access is limited to one employee. Stamp inventory has been overseen responsibly and no significant inventory has been unaccounted for. The stamp inventory is part of the once a month physical inventory counting procedure.

Recommendation 7

The Department should hire an Accountant to perform the commissary financial functions currently being performed by Correction Officers. Qualified accounting personnel would diminish the opportunity for the occurrence of undetected errors or irregularities and enhance the Department's ability to generate financial statements and perform proper reconciliations. We also recommend that the Department investigate the feasibility of utilizing QuickBooks to capture Commissary-related information such as inventory and sales in order to generate monthly income statements and quarterly or bi-annual balance sheets.

Response 7

We are currently inquiring into using the Sheriff's Accounting Department to determine what kind of assistance they can offer. We are in the process of upgrading our QuickBooks program and have plans to use this new system to track sales, inventory and to record financial statements.

Recommendation 8

The Department should prepare written procedures for authorization requirements within the Commissary Fund, Profit Account, and Prisoner Fund. The procedures should include the manual procedures, computer procedures and authorization requirements for each transaction.

Response 8

The Sheriff's Office realizes that written procedures and policies are conducive to an efficient work product. We are currently creating and reviewing policies on inmate accounts and plan to incorporate the use of our new QuickBooks system into these policies.

Recommendation 9

The Department should create and maintain a fixed asset log of all equipment and furnishings purchased with Commissary and Profit account funds. The log should detail the acquisition date, useful life and disposal date of the asset. In addition, procedures for the proper authorization for

disposal of equipment need to be implemented, and records of disposals need to be prepared and retained to aid in the safeguarding of assets and detection of any misappropriations.

Response 9

The Sheriff's Office maintains a fixed asset log of all equipment and furnishings purchased with Commissary and Profit account funds. The log includes acquisition date, and we will now include the equipment's useful life and disposal date. Procedures for disposal of equipment will be written for all durable goods disposal.

Recommendation 10

The Department should maintain all financial records and supporting documentation for all transactions related to the commissary operations for a period of no less than five years. The Inmate Accounts Unit should maintain all voided checks and be able to provide them upon request. This will facilitate the record keeping and record retention process.

Response 10

The Sheriff's Office is currently maintaining all commissary records including inmate order sheets, inventory records and billing statements for a period of at least 5 years. Inmate Accounts currently maintains all voided checks and should be able to provide them on request.

Recommendation 11

The Department should make every effort to utilize qualified vendors and obtain the best possible price by obtaining comparable quotes and/or bids before making purchases. Also, the Department should maintain sufficient documentation to support the vendor choice and their attempt to obtain the best possible price for Commissary purchases.

Response 11

The Sheriff's Office explores all possible avenues to utilize qualified vendors and to obtain the best possible price for purchase of supplies for the Commissary store. Product availability will remain a priority because the inmates rely on the commissary store as their sole supplier of items. At times availability of products might be a priority over best possible price.

In conclusion, we want to emphasize our determination to administer the Inmate Commissary Accounts in a professional manner using accepted accounting practices. We feel we have made significant progress in many of the areas identified by your office as problematic. We look forward to your continued support as we incorporate additional audit recommendations.

APPENDIX B

Exit Conference Report

Auditee: Suffolk County Sheriff's Department – Inmate Commissary Accounts

The Department did not request an exit conference, but did submit a written response to the audit report (Appendix A, p. 20). In its response the Department mostly concurred with the audit findings and has taken corrective action in response to our audit. However, the Comptroller's Office disagrees with the Department's contention that it "explores all possible avenues to utilize qualified vendors and to obtain the best possible price for the purchase of supplies for the Commissary store" and that the "availability of products might be a priority over best possible price". The Department provided no support for their statement nor was there any evidence demonstrated during our audit that this was the case. Our audit found that the Department purchased readily available items (instant oatmeal, hot chocolate, etc.) at highly inflated prices from a vendor who was operating from a personal residence which raises concerns regarding the vendor's legitimacy. In addition, the vendor was not registered to collect sales tax with the New York State Department of Taxation and Finance. The Department's failure to procure readily available items at reasonable prices presents the opportunity for favoritism, fraud and collusion to occur. Therefore, the Department should make every effort to utilize qualified vendors and obtain the best possible price by obtaining comparable quotes and/or bids before making purchases. Furthermore, the Department should maintain sufficient documentation to support the vendor selection and their attempt to obtain the best possible price for commissary purchases.

We extend our gratitude to the personnel at the Suffolk County Sheriff's Department for their cooperation during the audit and for taking corrective action to address the deficiencies identified in our report.